

February 23, 2005

Joshua B. Bolten, Director
Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Dear Director Bolten:

We are writing to obtain more information regarding how the Office of Management and Budget (OMB) calculated the revenue that will be generated from the first oil and gas lease sale in the coastal plain of the Arctic National Wildlife Refuge. In the fiscal year 2006 budget, the Department of Interior's budget assumes that these sales will generate \$2.4 billion that will be split evenly between the federal Treasury and the State of Alaska.

We would like to know precisely how the OMB derived the \$2.4 billion from the projected lease sales. Richard A. Fineberg, an Alaskan economist, released a report on January 15, 2005 entitled "Projected Bonus Payments from Proposed Leasing on the Arctic National Wildlife Refuge Coastal Plain Greatly Exceed North Slope Historical Trends: A Background Report to the Alaska Wilderness League". Dr. Fineberg's report documents the revenues generated from petroleum lease sales on Alaska's North Slope from 1961 to 2004.

Dr. Fineberg found that since 1990, 8.7 million acres have been leased on the North Slope for an average \$53.03. Over the last four years, fifteen northern Alaska lease sales have generated an average of \$38.92 per acre.

The FY2006 budget does not state explicitly how many acres are expected to be leased in the first sale in 2007. However, in the FY2005 budget, OMB assumed that between 400,000 and 600,000 acres would be leased in the first sale. Since the total revenues assumed to be generated has stayed constant at \$2.4 billion, we are assuming that the 400,000 to 600,000 estimate is still current.

Using these acreage estimates, in order to generate \$2.4 billion, each acre would have to be leased for between \$4,000 and \$6,000. Even if the Administration planned to lease the entire 1.5 million acres of the Arctic Refuge's Coastal Plain, each acre would have to generate \$1,600. These prices are anywhere from 30 to 150 times higher than the average prices that have been paid over the last fifteen years.

Please provide, in detail, the factors the OMB considered when calculating these extraordinarily high revenues.

Thank you for your attention to this concern. We look forward to receiving your reply.

Sincerely,

Edward J. Markey
Member of Congress

Rosa DeLauro
Member of Congress

Tom Allen
Member of Congress

Lois Capps
Member of Congress